

VIRGINIA RESOURCES AUTHORITY
BOARD OF DIRECTORS
MINUTES OF THE REGULAR MEETING

The Board of Directors of the Virginia Resources Authority met on September 9, 2014, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

Members Present

William G. O'Brien, Chair
James H. Spencer, III, Vice Chair
John J. Aulbach II, P.E. on behalf of Dr. Cynthia C. Romero
David Branscome
Clifton Burnette on behalf of Randall P Burdette
Barbara McCarthy Donnellan
Thomas L. Hasty, III
John H. Rust, Jr.
Valerie Thomson on behalf of David K. Paylor

Members Absent

Manju Ganeriwala
Dena Frith Moore

Staff Present

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Shawn Crumlish, Director of Debt Management
Peter D'Alema, Director of Program Management
Michael Cooper, Director of Administration
Jon McCubbin, Controller
Stephanie Jones, Fiscal Analyst/Compliance Officer
Rachael Logan, Administrative Manager

Others

Ty Wellford, Davenport & Company LLC

Call to Order

Mr. William G. O'Brien, Chair, called the meeting to order at 9:02 a.m.

Approval of Agenda

Mr. O'Brien stated that there is one addition to the agenda under Committee Reports, the Municipalities Continuing Disclosure Corporation (MCDC) Sub-Committee Report.

There were no further additions or changes to the agenda.

Motion by Ms. Moore, seconded by Mr. Rust, that the agenda be approved as amended.

The motion carries.

Approval of Meeting Minutes

The Chair called for approval of the minutes of the Portfolio Risk Management Committee, Strategic Planning Committee and Personnel Committee held on June 9, 2014; Budget Committee and Board of Directors held on June 10, 2014; and Strategic Planning Committee held on June 30, 2014.

There were no corrections or amendments to the minutes.

Motion by Mr. Branscome, seconded by Mr. Hasty, that minutes of the Portfolio Risk Management Committee, Strategic Planning Committee and Personnel Committee held on June 9, 2014; Budget Committee and Board of Directors held on June 10, 2014; and Strategic Planning Committee held on June 30, 2014, be approved.

The motion carried.

Executive Director's Report

Ms. Stephanie L. Hamlett, Executive Director, Secretary to the Board, summarized a 2015 Legislative Proposal, noting that VRA submitted a legislative recommendation clarifying VRA's ability to provide financing to localities for economic and community development projects, as well as clarify VRA's ability to finance tourism projects. She stated that currently VRA interprets economic development projects to include tourism and this initiative is proposing specific language stating such.

Ms. Hamlett continued that VRA is delaying plans to fill the recently established outreach position, explaining that VRA advertised, interviewed and had some candidates that were preferred. However, she explained that there have been conversations with the Secretary of Commerce to share the position and make it full time. The Secretary asked that VRA not fill the position until further discussion. It is anticipated that the position will be reconsidered in January 2015.

Ms. Hamlett concluded with an item not included in her report pertaining to Conflict of Interests and Disclosure training requirements. She will forward information next week to ensure that Board members are familiar with the requirements. In addition, the Governor has issued an executive order limiting acceptance of one-time gifts to no more than \$25 or \$100 per year. Ms. Hamlett stated that there are exceptions and suggested that she be contacted should the Board have any questions.

Committee Reports

Audit Committee: Mr. William G. O'Brien presented the Audit Committee report on behalf of Ms. Manju Ganeriwalla, Chair. He stated that the Committee received a presentation on the Annual Financial Report, and he asked Mr. Jon McCubbin, Controller, to provide an update.

Mr. McCubbin stated that the lead auditor, Mr. Norman Yoder, of Brown, Edwards & Company was on sight providing the audit results. There were three auditor reports delivered. One was on the financial statements as a whole and VRA received an unqualified "clean" audit opinion on the full financial statements. The second report was on Internal Control and Compliance and there were no deficiencies identified in internal controls and no instances of noncompliance or other matters. The third report was on major federal programs and internal controls over compliance in accordance with OMB Circular A-133. There was an unqualified opinion on compliance for major federal programs and no deficiencies identified in internal controls over compliance. Mr. McCubbin shared the FY2014 accomplishments and financial highlights as summarized in the Comprehensive Annual Financial Report (CAFR), noting that he has a final copy for distribution.

Mr. O'Brien stated that the Committee went into a closed session with the auditor to discuss the performance of staff and management with the auditors in relation to the Fiscal Year 2014 audit. There were no issues to be discussed; thereby resulting in a clean audit. He stated that Mr. Yoder complemented staff for their preparation, response time and outstanding assistance received from the staff.

Motion by Mr. Branscome, seconded by Mr. Rust, that the Fiscal Year 2014 Comprehensive Annual Financial Report (CAFR) be approved.

The motion carried.

Strategic Planning Committee: Mr. John H. Rust, Jr., Chair, provided a report on the Strategic Planning Committee. He stated that Mr. Gregg Brittingham, Virginia Commonwealth University Performance Management Group, referenced the June 30, 2014 planning session of the Strategic Planning Committee where a mission, vision, value added, and five strategic goals were developed. Based on those documents staff met with Mr. Brittingham and returned to the Committee with their own document which was presented at the meeting. The staff reviewed the Committee's development of the mission, vision and the value added. Staff spent time developing objectives to meet the Committee's five goals. There was discussion on the part of the Committee emphasizing the desire for the Plan to be staff-driven as the objectives to meet the goals will be time-consuming. Mr. Rust stated that there will be more planning sessions and the objective is to take goals developed by the Committee and staff and put some metrics to them so there will be a method of measuring what is being done and be able to tell whether or not the plan is successful going forward. Ultimately, the Committee will return to the Board with a Strategic Plan. A work session of the Committee will be held in December 2014 with the final presentation to the full Board at its March 2015 meeting.

Portfolio Risk Management Committee (PRMC): Mr. David Branscome presented the PRMC report on behalf of Ms. Dena Frith Moore, Chair. He asked Mr. Peter D'Alema, Director of Program Management, to provide a summary of the meeting. Mr. D'Alema addressed the 2014B VPFP Transaction Summary, stating that VRA sold \$134.49 million in Virginia Pool Financing Program (VPFP) bonds on July 29, 2014. He introduced Mr. Ty Wellford, Davenport & Company LLC, to discuss pricing and spreads in the transactions.

Mr. Wellford stated that the Infrastructure Revenue Bonds were sold on a negotiated basis and the State Moral Obligation Bonds were offered by competitive bid. The Underwriters for the Infrastructure Revenue Bonds were Loop Capital Markets, Senior Manager, and Co-Managers Citi, Morgan Stanley, and Wells Fargo. The State Moral Obligation Bonds bid winner was Morgan Stanley. Mr. Wellford shared a slide summarizing the structure of the bonds offered, with the average life of a loan being 13 years. He stated that market conditions were favorable leading up to the sale of the bonds. He shared a graphic of the 30-day visible supply of municipal bonds to be sold over the next 30 days negotiated competitive. He summarized the orders and allotments, as well as how this transaction priced versus former sales with the average spread to the benchmark yield. On average, pricing spreads have been right around prior sales or a little lower. The true interest cost of the AA bonds came in lower than AAA bonds.

Mr. D'Alema proceeded to highlight the refunding borrowers noting that \$8.6 million in net present value savings was generated for seven different localities as part of the VPFP Series 2014B transaction. Overall, he stated that the top ten borrowers represent 40.02% of the overall VPFP portfolio with the largest borrower being under 7% of the overall VPFP portfolio. He shared a graphic outlining security and par amounts for the loans. The summer pool closed on August 13, and subsequent to the 2014B pool, the two largest borrowers in the VPFP portfolio were Suffolk and Stafford County. Mr. D'Alema continued that the City of Suffolk defeased \$57.445 million funds in VPFP debt as a result of their general obligation (GO) bond issue, which freed up to \$17 million in moral obligation debt capacity.

2014C VPFP Update: Mr. D'Alema stated that VRA received 18 applications from potential borrowers for consideration in the fall 2014 VPFP with 13 anticipated to move forward, covering five of VRA's 18 authorized project areas. VRA conducted due diligence calls with applicants and staff contacted eligible VRA refunding candidates with at least 3% net present value savings for possible inclusion in the fall pool. Mr. D'Alema shared a summary chart of the new exposure applications that were received with a good mix of security. He highlighted the five loan applications that exceed \$10 million in requested proceeds. He stated that the Bedford Regional Water Authority (BRWA) loan request requires PRMC and Board approval based on VRA's Revenue Underwriting Guidelines.

Bedford Regional Water Authority (BRWA): Mr. D'Alema explained that BRWA is requesting funding to finance the construction of a new water treatment plant and waterline expansion in Bedford County. The project will reduce the reliance of water purchases from the City of Lynchburg while providing a redundant water supply to the Town of Bedford and other portions of the County. Western Virginia Water Authority has agreed to share the new water

treatment plant costs. BRWA has offered a water and sewer revenue pledge as security for the loan. The loan request was analyzed in the context of VRA's revenue guidelines rather than the regional authority guidelines because there is no specific service agreement in place related to the user base. One of the requirements of the revenue guidelines is that BRWA must show that they can satisfy the rate covenant associated with the debt. In the absence of satisfying the rate covenant, BRWA must have a rating of Moody's and S & P. BRWA created a ten-year rate plan to equalize the rates.

Mr. D'Alema shared the issues considered by VRA's Credit Committee as well as BRWA's credit profile. As part of the security recommendation is the stipulation that VRA will reserve the right to require a rating in the future. There is some local controversy related to the project and VRA addressed the concerns as part of credit work performed. There is also a provision within the loan recommendation that will enable VRA to recoup its costs if there is any future legal action taken regarding the loan. VRA's Credit Committee's recommendation is to approve the BRWA loan request with the water and sewer revenue pledge and a debt service reserve fund equal to maximum annual debt service on the loan.

Prior to a vote on the motion, there was additional discussion relative to the loan request.

Motion by Mr. Branscome, seconded by Mr. Spencer, that the loan request by Bedford Regional Water Authority be approved, as recommended by the VRA Credit Committee.

The motion carried.

City of Petersburg: Mr. D'Alema proceeded with discussion of the City of Petersburg loan request to finance the construction of a new city hall building and miscellaneous CIP projects in FY15-FY17. The City has requested that principal be delayed until FY2023 for the city hall financing. A 30-year term was requested for the city hall project, and 20-year term on the other CIP projects. A General Obligation pledge is offered as loan security. Mr. D'Alema reviewed the VRA Credit Committee's loan authorization terms, noting that Petersburg's state-aid coverage is strong. He concluded with the financing schedule for the 2014C VPFP. The bond sale will be on November 8, 2014, pre-closing on November 18, 2014, and closing on November 19, 2014.

Clean Water Revolving Loan Fund Updates (CWRLF): Mr. Shawn Crumlish, Director of Debt Management & Credit Analysis, shared the CWRLF Series 2014 proposed refunding, stating that bonds are scheduled to price on September 17, 2014, competitively and include refunding bonds issued in 2007 and 2008. The plan is to pass savings through to borrowers in the program.

Mr. Crumlish stated that a contribution was made to the Virginia Conservation Legacy Fund revenue fund. However, there is a possibility that the October debt payment will not be made because the organization is not meeting its resources. However, VRA has been assured that they will meet the payment date. VRA is working with the agency in terms of improving its revenue intake and obtain a revised business plan.

Portfolio Risk Management Reserve Update (PRM):

Mr. Branscome stated that Ms. Stephanie Jones, Fiscal Analyst/Compliance Officer, provided a brief presentation on the Portfolio Risk Management Reserve. As a result of the discussion, new methodologies will be visited that assist in determining categories for borrowers that would be more stable and tied to rating agencies.

Municipalities Continuing Disclosure Cooperation Initiative Committee (MCDC):

Mr. O'Brien stated that McGuire Woods updated the PRMC relative to reporting requirements for municipal issuers. The filing deadline has been extended to December 1, 2014. The Committee will meet on November 6, 2014 to make a determination on whether VRA will participate in the initiative.

Old Business

There was no old business.

New Business

Infrastructure Financing Conference:

Ms. Jean Bass, Director of Policy & Intergovernmental Relations, stated that VRA's conference has been embraced by the Governor and is called the Governor's Infrastructure Financing Conference scheduled for December 10-12, 2014 at the Hotel Roanoke. Staff has been successful in attracting sponsors for the conference and is currently developing the agenda. She asked the Board to consider having the Board meeting on December 9, 2014, at 4:00 p.m. the Tuesday preceding the Conference. PRMC and Strategic Planning Committee meetings are scheduled for Roanoke.

The Board concurred with the Board meeting being held at the Hotel Roanoke on Tuesday, December 9, 2014 at 4:00 p.m.

In response to the Board, Ms. Bass shared the agenda for the Conference, noting that the conference will be very informative to small communities, as well as large communities.

Calendar Year 2015 Board Meetings:

Ms. Bass submitted the following calendar for 2015 Board meetings:

March 9 – 10, 2015; June 8 -9, 2015; September 7-8, 2015; and December 7-8, 2015.

There were no comments relative to the Board meetings presented. Therefore, the calendar stands as submitted.

Call In Meetings:

In response to Ms. Donnellan, Ms. Hamlett stated that meetings by phone are permissible if it is established as a meeting at a second location a head of time. Ms. Hamlett explained that the Freedom of Information allows a Board member to call into a meeting if there is an emergency but to utilize this provision the Board must first approve a policy. The Board member would call in and the Board would vote to determine if the emergency meets Freedom of Information requirement. The Act was revised to require that the organization has a policy. In addition there are limits on the number of call-ins per individual.

Ms. Donnellan stated that the Board of Supervisors for Arlington County has passed a policy that limits a person to calling in no more than twice in a year with a justification.

Ms. Hamlett indicated the staff will return to the Board with a policy for consideration in March.

Public Comment Period

There was no public comment.

Adjournment

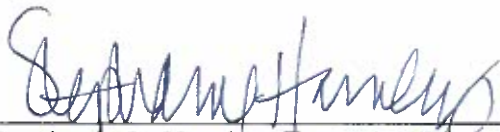
There being no further business to come before the Board, Mr. Hasty moved, and Mr. Spencer seconded, that the meeting be adjourned.

The motion carried and the meeting adjourned at 10:23 a.m.

The next meeting of the Board will be held on Tuesday, December 9, 2014.



William G. O'Brien, Chair
Board of Directors



Stephanie L. Hamlett, Executive Director
Secretary to the Board

RESOURCES AUTHORITY

STRATEGIC PLANNING COMMITTEE MINUTES OF THE REGULAR MEETING

The Strategic Planning Committee of the Virginia Resources Authority met on Monday, September 8, 2014, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

Members Present

David Branscome
Clifford Burnette on behalf of Randall P Burdette
Dena Frith Moore
William G. O'Brien, Ex Officio

Members Absent

John H. Rust, Jr., Chair
James H. Spencer, III

Staff Present

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Shawn Crumlish, Director of Debt Management
Peter D'Alema, Director of Program Management
Michael Cooper, Director of Administration
Jon McCubbin, Controller
Stephanie Jones, Fiscal Analyst/Compliance Officer
Rachael Logan, Administrative Manager

Others

Greg Brittingham, Virginia Commonwealth University's Performance Management Group

Call to Order

Ms. Dena Frith Moore called the meeting to order on behalf of Mr. John H. Rust, Jr., Chair, at 12:05 p.m.

Approval of Agenda

Mr. O'Brien moved, and Mr. Branscome seconded, approval of the agenda.

The motion carried.

Strategic Planning Sessions - Committee/Staff

Mr. Greg Brittingham with the Virginia Commonwealth University Performance Management Group reviewed the meeting held with the Strategic Planning Committee on June 30, 2014. The Committee compiled a list of items that included a revised mission statement, vision statement, threats and opportunities, value added and identified five five-year goals. Subsequently, this information was used in a retreat with the staff in August 2014. The Strategic Planning Committee wanted to capitalize on the technical assistance it provides to localities as a strength and to consider it as a new area to market VRA.

Mr. Brittingham continued that there was some concern about the value added statement "Securing funding that would not otherwise be available." Ms. Bass explained that VRA has the ability to assist localities that would not otherwise, on their own, be able to access funding for projects. It is an added value and strength of VRA. After discussion, it was suggested that the words "would not" be replaced with "may not" to bring clarity to the statement.

Mr. Brittingham proceeded to highlight staff's response to the five goals developed by the Committee. The first goal is to expand and improve VRA outreach and constituent communications. Staff felt that this goal could be accomplished with electronic newsletters to state agencies and other key partners, social media, and website redesign. Other suggestions for outreach included providing easily accessible updated brochures for specific programs, the use of thumb drives and QR codes to make information more easily accessible; and using technology feedback, and questions and queries.

Mr. Brittingham stated that the second goal is to find new revenue sources. He stated that the Committee discussed the possibility of assisting public hospitals thereby generating a new revenue source. Other possibilities for funding included public museums as well as nonprofits and small businesses that are community based. Mr. O'Brien cautioned that expansion of programs might be viewed as mission creeping and that the General Assembly is the final determinant of VRA programs.

The third goal is to retain and reward staff. Mr. Brittingham indicated that staff suggested an audit of compensation, a comparison study of similar positions, responsibilities and expertise, specific cross-training for certain staff to assist in succession planning. Staff further suggested that the internship program continue and that staff grow within to increase challenging work. Lastly, everyone should have access to professional education and selected conferences relevant to job responsibilities. Mr. Brittingham stated that new programs will provide staff the opportunity to grow professionally.

The fourth goal established by the Committee is to improve underwriting discipline and protocol. Mr. Brittingham explained that VRA benchmarks underwriting guidelines to credit rating agency guidelines and monitors any changes that take place. However, there is a need to reevaluate underwriting guidelines as unique situations arise. He noted that one of the strengths of VRA is its flexibility and creativity in trying to help localities or potential borrowers obtain a position of

success without setting undue precedence. Mr. Brittingham concluded that staff believes continued education and staff training is needed to fulfill this goal.

Optimizing technology and information systems is the fifth goal. Mr. Brittingham stated that staff expressed the need to explore technology improvements for core business processes to include proper infrastructure to support technology.

Next Steps

Mr. Brittingham stated that meetings will be scheduled with the staff within the next two months to build on the initial structure and to set specific milestones and benchmarks for success performance metrics. He stated a draft document should be submitted to the Committee before the December meeting, ultimately presenting the plan to the full board for final approval at the March 2015 meeting. He requested feedback from the Committee by the first of January 2015 to allow adjustments prior to presentation to the full Board.

Ms. Bass stated that the meeting of the Committee on June 30th and the subsequent meeting with staff shows that both are on one accord. Both the Administration and the General Assembly, it was noted, recognize VRA's financial management expertise. The confidence of the General Assembly is a complement and acknowledgement of VRA.

Mr. Branscome asked if VRA is independent or if they go through VITA. Executive Director Hamlett stated that VRA does not use VITA.

Ms. Moore asked if staff had any concerns relative to moving forward with input on the strategic vision as provided by the Committee. Ms. Bass replied that staff is dedicated to making sure that VRA stays true to its mission, priorities and the interest of the administration and legislature. Staff sees opportunities, are accepting them and looking forward to the challenge.

On behalf of the Committee, Ms. Moore said that it is important that the development of the proposed Strategic Plan be staff driven and not Board driven. The Board can provide the framework, but staff will be responsible for accomplishments. In this regard, Ms. Moore stated that staff should not feel that items included in the proposed plan cannot be removed or improved upon. She asked staff to let the Committee know if their assistance is needed during its next phase of the Plan's development.

Ms. Moore stated that the second goal mentions the possibility of assisting hospitals in an effort to generate new revenue. She questioned if the Board truly wants staff to spend time investigating hospitals. Mr. O'Brien stated that he would not want to stifle the initiative and that it is worth exploring and planting a seed.

Mr. Brittingham responded to Ms. Moore that he would be prepared if the Committee scheduled discussion of the Strategic Plan at its December meeting.

Ms. Moore thanked staff for its time and stated that the Committee will look forward to the evolution of the final Plan.

Old Business

There was no old business.

New Business

There was no new business.

Public Comment Period

There was no one from the public to be heard.

Adjournment

There being no further business to come before the Committee, the meeting adjourned at 12:34 p.m.

The next meeting of the Committee will be December 9, 2014.



Dena Frith Moore on behalf of
John H. Rust, Jr., Chair



Stephanie Hamlett, Executive Director
Secretary to the Board

VIRGINIA RESOURCES AUTHORITY
PORTFOLIO RISK MANAGEMENT COMMITTEE
MINUTES OF THE REGULAR MEETING

The Portfolio Risk Management Committee of the Virginia Resources Authority met on Monday, September 8, 2014, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

Committee Members Present

Dena Frith Moore, Chair
David Branscome
John H. Rust, Jr.
William G. O'Brien, Ex Officio

Committee Members Absent

Thomas L. Hasty, III

Staff

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Michael Cooper, Director of Administration
Shawn Crumlish, Director of Debt Management
Peter D'Alema, Director of Program Management
Jon McCubbin, Controller
Kimberly Adams, Program Manager
Jonathan Farmer, Financial Analyst
Stephanie Jones, Fiscal Analyst/Compliance Officer
Rachael Logan, Administrative Manager

Others

Arthur Anderson, McGuire Woods, Bond Counsel
Ty Wellford, Davenport & Company LLC

Call to Order

The meeting was called to order by Ms. Dena Frith Moore, Chair, at 2:01 p.m.

Approval of Agenda

There being no amendments to the agenda.

Motion by Mr. O'Brien, seconded by Mr. Rust, that the agenda be approved as presented.

The motion carries.

Portfolio Risk Management Update

2014B VPFP Transaction Summary: Mr. Peter D'Alema, Director of Program Management, stated that the summer transaction was very smooth. VRA sold \$134.49 million in Virginia Pool Financing Program (VPFP) bonds on July 29, 2014, funding 12 loans on behalf of ten local government borrowers. The bonds were split between senior and subordinate bonds and financed or refinanced projects in seven of VRA's 18 authorized project areas. The issuance rates were very competitive and "Aaa/AAA" and "Aa2/AA" ratings were received on the Infrastructure Revenue and State Moral Obligation Revenue Bonds, respectively. Mr. D'Alema continued that the Infrastructure Revenue Bonds were sold on a negotiated basis and the State Moral Obligation Bonds were offered by competitive bid. Underwriters for the Infrastructure Revenue Bonds were Loop Capital Markets, Senior Manager, and Co-Managers Citi, Morgan Stanley, and Wells Fargo. The State Moral Obligation Bonds bid winner was Morgan Stanley.

Mr. Ty Wellford, Davenport & Company LLC, continued the presentation sharing information relative to pricing and spreads in the transactions. He showed a graph of the bonds offered and related debt service. Municipal market conditions have continued to improve throughout the year as interest rates have slowly decreased. New money financings are roughly where they were last year but local governments are still hesitant to build new projects given the slow economy.

In response to Mr. O'Brien, Mr. Wellford stated that bond insurance represents a very small portion of the market, with only two bond insurers currently active. Overall, the bond insurers are less than 10% of the market; at the peak of bond insurance, they were at 50%.

Mr. Wellford continued that the 30-day visible supply shows the dollar volume of municipal bonds scheduled to be issued over the next 30 days, split into negotiated versus competitive bonds. He reviewed the orders and allotments, which were favorable for borrowers, and he concluded with a comparison of recent VRA sales.

In response to Mr. O'Brien, Mr. Wellford stated that the total underwriting spread on a per bond basis for the VPFP Series 2014B was just more than \$4.87 a bond which is .49% of the total par issue.

Mr. D'Alema proceeded to highlight the refunding borrowers noting that \$8.6 million in net present value savings was generated for seven different localities as part of the VPFP Series 2014B transaction. With respect to the VPFP portfolio after the issuance of the Series 2014B bonds, he stated that the top ten borrowers represent 40.02% of the overall VPFP portfolio with the largest borrower being under 7% of the overall VPFP portfolio.

Mr. D'Alema continued that the City of Suffolk defeased \$57.445 million in VPFP debt a general obligation (GO) bond issuance by the City in August. The City has been refunding revenue debt away from VRA through the City's own GO bond issues over the past few years. The City has been going to the public markets through their own GO issues, and as a result, up to \$17 million in moral obligation (MO) debt capacity has been freed up as a result of the most recent VPFP refunding.

There was discussion relative to the impact of Suffolk's actions on VRA.

Mr. D'Alema concluded by showing a trend of pool issuance from FY2011 through 2015 to date.

2014C VPFP Update: Mr. D'Alema stated that VRA received 18 applications from potential borrowers for consideration in the fall 2014 VPFP with 13 anticipated to move forward, covering five of VRA's 18 authorized project areas. VRA conducted due diligence calls with applicants, and staff contacted eligible VRA refunding candidates with at least 3% net present value savings for possible inclusion in the fall pool. Mr. D'Alema shared a summary chart of the new exposure applications that were received with a good mix of security. He highlighted the five loan applications that exceed \$10 million in requested proceeds. He stated that the Bedford Regional Water Authority (BRWA) loan request requires PRMC and Board approval based on VRA's Revenue Underwriting Guidelines. The City of Petersburg has requested that principal be delayed until FY2023 for their requested city hall financing in the fall pool

Bedford Regional Water Authority (BRWA): Mr. D'Alema explained that BRWA is requesting funding to finance the construction of a new water treatment plant and waterline expansion in Bedford County. The project will reduce the reliance of water purchases from the City of Lynchburg while providing a redundant water supply to the Town of Bedford and other portions of the County. Western Virginia Water Authority has agreed to share the new water treatment plant costs and anticipates seeking funding from the VPFP Series 2015A pool. BRWA has offered a water and sewer revenue pledge as security for the loan. They are looking at a 30-year term, and BRWA has not been rated by Moody's or S & P. The loan request was analyzed in the context of VRA's revenue guidelines rather than the regional authority guidelines because there is no specific service agreement in place for the bulk of the user base. One of the requirements of the revenue guidelines is that any entity looking for a loan or aggregate exposure of \$25 million or more must show that they can satisfy the rate covenant associated with the debt no later than the second full fiscal year following the anticipated completion date of the project. In the absence of satisfying the projected rate covenant, BRWA must have a rating of Moody's and S & P. BRWA created a ten-year rate plan to equalize the rates. A copy of the rate study was received as part of the overall analysis of the loan request; however, BRWA has only adopted rates through FY2015, which do not provide for the necessary projected debt service coverage on the proposed loan by the second full fiscal year following completion of the project. BRWA plans to approve the necessary rates for FY2016 and FY2017 by June 2015 as part of the FY2016 budget process; however, because the FY2016 and FY2017 rates had not yet been adopted and because BRWA is not currently rated by Moody's or S&P, an exception to VRA's underwriting guidelines is necessary for the proposed loan.

Mr. D'Alema shared the issues considered by VRA's Credit Committee as well as BRWA's credit profile. As part of the security recommendation is the stipulation that VRA will reserve the right to require a rating in the future. There is some local controversy and VRA considered all of the concerns raised by local citizen groups as part of credit work performed. There is also a provision within the loan recommendation that will enable VRA to recoup its costs if there is any legal challenge associated with the loan in the future. Mr. D'Alema continued that the debt

service coverage of BRWA is strong, but the days cash on hand is low due to use of cash reserves for capital projects. He reviewed a summary table of Bedford County PSA/BRWA's financial performance over the last five audited fiscal years. As a result, VRA's Credit Committee's recommendation is to approve the BRWA loan request with security/covenants based on historic financial performance and projected performance, which includes rate increases in the BRWA rate study. Loan security includes a pledge of water and sewer system revenues and a debt service reserve fund equal to maximum annual debt service on the loan. Other covenants/closing requirements would include: (1) VRA consent on any future debt issuance backed by BRWA water and sewer system revenues, (2) reserved right to require a Moody's or S&P rating of BRWA if needed in the future, and (3) evidence of local zoning approvals related to the water treatment plant property.

Ms. Moore stated that the Committee needs to be certain that enough protection is in place in case good intentions do not come to fruition with regard to future rate increases. In response to Mr. O'Brien, Mr. D'Alema stated that VRA has the state-aid intercept on the Moral Obligation (MO) backed existing debt of BRWA that was assumed from Bedford County PSA. There is no MO associated with the new loan so the real security is VRA's legal ability to legally require that BRWA raise rates to the extent needed to pay debt service and provide for the necessary debt service coverage.

Ms. Moore stated that BRWA has room to raise rates based on current rate affordability measures, and a debt service reserve fund provides additional security for the loan. In response to Mr. Rust, Mr. D'Alema stated that the reserve must stay in place for the life of the loan.

Mr. O'Brien moved, and Mr. Rust seconded, that the loan request by Bedford Regional Water Authority be recommended to the Full Board for approval, as recommended by the VRA Credit Committee and outlined above.

The motion carries.

City of Petersburg: Mr. D'Alema proceeded with discussion of the City of Petersburg loan request to finance the construction of a new city hall building and miscellaneous CIP projects in FY2015-FY2017. A 30-year term was requested for the city hall project, and 20-year term on the other CIP projects. The original application included funding for school-related capital projects; however, VRA notified the City that the school related projects were referred to the Virginia Public School Authority. A General Obligation (GO) pledge is offered as loan security. The City's liquidity of the general fund has been weak and has shown a deteriorating trend over the past five years. Per VRA's tax supported underwriting guidelines, debt service versus expenditures is strong, unassigned fund balance versus revenues is weak; debt payout ratio is strong; total debt versus total valuation is adequate. Mr. D'Alema reviewed the VRA Credit Committee's loan authorization terms, noting that Petersburg's state-aid coverage is strong. He shared the Credit Committee's loan authorization terms, which included a general obligation pledge and a debt service reserve fund equal to maximum annual debt service, which can be released for requested CIP projects if the City improves its General Fund unassigned fund balance to at least \$2,800,000 which would become a covenant requirement through the

remaining life of the loan. Other conditions/covenants include: (1) unassigned fund balance covenant which will require the City to maintain an unassigned fund balance of at least \$2,800,000 in liquid resources throughout the term of the proposed loan, (2) the Financing Agreement will contain a provision reserving the right for VRA to require the maintenance of the City's existing S&P rating and of a general obligation rating from Moody's, (3) provision requiring VRA consent on any new GO or enterprise fund debt unless the City (a) reaches an unassigned fund balance of \$5 million (with a covenant to maintain a minimum of \$5 million during the remaining term of the loan) and (b) obtains a credit rating at least in the 'A' category from Moody's and Standards & Poor's, and (4) provision requiring the City to adopt financial policies.

Ms. Moore informed the Committee that the presentation on the City of Petersburg is information only but is a testament to staff's underwriting creativity and strong analysis.

Mr. D'Alema stated that the City of Petersburg has not agreed to the structure; and he concluded with the financing schedule for the 2014C VPFP. The bond sale will be on November 8, 2014, pre-closing on November 18, 2014, and closing on November 19, 2014.

Clean Water Revolving Loan Fund Updates (CWRLF)

Mr. Shawn Crumlish, Director of Debt Management & Credit Analysis, provided a history of the CWRLF noting that it was created in 1987 and VRA has a partnership with the State Water Control Board and the Department of Environmental Quality (DEQ). The Program Manager is DEQ and VRA is the Financial Administrator. The funding for the program includes Federal Capitalization Grants and State Matching funds. The top ten borrowers represent over 65% of the portfolio and are high quality credits. Forty-five per cent of the top five borrowers have AA or higher ratings with the exception of the Alexandria Renew Enterprises which is a wholesale treatment provider for Fairfax County and the City of Alexandria. The top three non-rated borrowers serve investment-grade rated localities, thereby adding strength to the overall portfolio. Last year 13 loans closed, there were over 132 unique borrowers with 314 loans. The 132 unique borrowers include non-local governments. CWRLF can also make loans to certain borrowers for land conservation or brownfields.

Mr. Crumlish explained a graph of the projected annual debt service coverage on leveraged bonds. He shared the CWRLF Series 2014 proposed refunding, stating that state match bonds will be included in the issue as a convenience because the program is already issuing refunding bonds. Bonds are scheduled to price through competitive bid on September 17, 2014 and will refund bonds issued in 2007 and 2008. The plan is to pass savings through to borrowers in the program through reduced loan interest rates. It is estimated that the interest rate on loans will go down by .5 per cent. A net present value savings of \$10 million, higher than 5%, is expected.

In response to the Committee, Mr. Crumlish stated that in March 2014 a contribution was made to the Virginia Conservation Legacy Fund revenue fund. However, there is a possibility that the October debt payment will not be made. VRA is working with the organization in terms of improving its revenue intake. Mr. Crumlish stated that the plan is that once property is paid off,

the Virginia Conservation Legacy Fund has an obligation to donate within six months certain properties to become a state park even though the state is not obligated to accept the property.

Portfolio Risk Management Reserve Update (PRM)

Ms. Stephanie Jones, Fiscal Analyst/Compliance Officer, provided a brief presentation on the Portfolio Risk Management Reserve, noting that during the Budget Committee meeting in June 2014, the Committee questioned whether it was a coincidence that the Yellow risk category dollar amount decreased while the Red risk category increased. She noted that the PRM Reserve is based on compliance ratings each year. Ms. Jones confirmed that there is movement between all categories; however each category, including Yellow which declined overall, experienced increases due to new loans. Movement between categories is often by one category, so downgrades from Yellow to Red are very common. Ms. Jones further explained that the primary drivers of the change are three large dollar borrowers who became Red. They are Caroline County, Southampton County and Sussex Service Authority. There is a likelihood that Southampton County and Sussex will return to Yellow, thereby reducing the required PRM Reserve, all else being equal. Ms. Jones concluded that there is some fluidity as borrower risk category ratings change every year.

Ms. Moore expressed concern with the Reserve fluctuating each time a borrower moves from one category to another. Ms. Jones stated that staff is researching other methodologies to determine the Portfolio Risk Management Reserve requirement that would be more stable and may be tied to rating agency ratings which tend to fluctuate less often than VRA's internal compliance ratings. However, Mr. Rust expressed the concern that information used to determine the necessary Portfolio Risk Management Reserve requirement is dated based on the receipt of annual financial statements from borrowers. Ms. Moore stated that staff can review other methodologies; however, the Committee does not want to abandon the current methodology as yet because it has not been given enough time for a thorough review. She asked that as compliance reviews for FY2013 are completed, staff look at the moving average of the Reserve and report back to the Committee.

New Business

There was no new business.

Old Business

There was no old business.

Public Comment Period

There was no comment from the public.

Adjournment

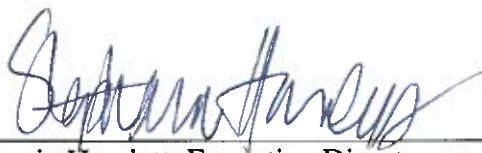
Motion by Mr. Rust, seconded by Mr. O'Brien, that the meeting be adjourned.

The motion carries and the meeting adjourned at 3:43 p.m.

The next meeting of the Committee will be held on December 9, 2014.



Dena Frith Moore, Chair



Stephanie Hamlett, Executive Director
Secretary to the Board

VIRGINIA RESOURCES AUTHORITY
AUDIT COMMITTEE
MINUTES OF THE REGULAR MEETING

The Audit Committee of the Virginia Resources Authority met on September 8, 2014, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

Members Present

John Aulbach, II, P.E. on behalf of Dr. Cynthia Romero
David Branscome
Dena Frith Moore
John H. Rust, Jr.
William G. O'Brien, Ex Officio

Members Absent

Manju Ganeriwala, Chair
James H. Spencer, III

Other Board Members Present

Clifford Burnette on behalf of Randall P Burdette

Staff Present

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Shawn Crumlish, Director of Debt Management
Michael Cooper, Director of Administration
Peter D'Alema, Director of Program Management
Jon McCubbin, Controller
Rachael Logan, Administrative Manager

Others

Norman Yoder, Brown, Edwards and Company

Call to Order

The meeting was called to order by Mr. William G. O'Brien on behalf of Ms. Manju Ganeriwala, Chair, at 1:00 p.m.

Approval of Agenda

Motion made by Ms. Moore, seconded by Mr. Rust, to approve the agenda as it stands.

Motion carried.

Fiscal Year 2014 Audit Report

Mr. Jon McCubbin, Controller, introduced Mr. Norman Yoder, lead partner with Brown, Edwards & Company, noting that this is the second year the company has audited VRA.

Mr. Yoder stated that he really enjoyed working with the VRA team and then proceeded with explaining the audit process. He noted that the audit process was very similar to last year's. Preliminary testing was conducted before the beginning of final field work. Sample sizes were determined for the audit confirmation process, and as VRA's financial books began to close in July, confirmation letters were sent to localities to confirm balances owed to VRA, and to the various financial institutions to confirm cash and investment accounts. Alternative procedures were performed for non-replies. Around mid-August accounting files were reviewed and inquiries made as part of the final year-end field work. The audit report was released very early in September. Mr. Yoder noted that technically the audit is being performed by Brown Edwards on behalf of the Virginia Auditor of Public Accounts (APA).

Mr. Yoder continued that a letter (Required Communications with Those Charged with Governance) was issued reminding VRA that Brown, Edwards & Company is responsible for the audit and the management is responsible for financial statements and reports. The letter discloses that there were no past adjustments and there were no significant adjustments. In addition, there was no discussion with VRA management relative to being pressured by them to reach a certain conclusion or shift financial results one way or another.

Mr. Rust questioned whether the Committee would be privy to any questions the APA may have regarding the audit. Mr. Yoder responded that it would be appropriate for him to first discuss any concerns with the Board. Ms. Moore asked if there was cooperation from borrowers in terms of obtaining confirmation of accounts. Mr. Yoder stated that he received enough responses to be comfortable and that the borrowers generally agreed with what VRA said they owed.

Mr. Yoder concluded that the Fiscal Year Ending June 30, 2014 audit received a clean opinion and that the audit opinion letters are included in the Comprehensive Annual Financial Report (CAFR). The auditor's report also discusses non-compliance with laws and regulations, fraud and abuse, etc. of which there were no findings. In addition, there were no findings in the testing of federal funds and major programs.

In response to Mr. Rust, Mr. Yoder, explained that the reference to Type A and Type B programs in the report is a result of the method used to determine which federal programs should be audited.

FY2014 Comprehensive Annual Financial Report (CAFR)

Mr. Jon McCubbin, Controller, proceeded with the financial portion of the CAFR. He began with the general layout, noting that a CAFR is not required. However, in order to receive the Certificate of Achievement for Excellence in Financial Reporting it must be submitted to the

Government Finance Officers Association. Mr. McCubbin highlighted VRA's accomplishments for the fiscal year to include three new bond issuances in the Virginia Pooled Financing Program which supported 20 loans achieving all in True Interest Costs ranging from 3.28% - 3.91%. The low interest rate environment provided 7 refunding opportunities of prior debt obligations. Mr. McCubbin reviewed the Revolving Loan Fund Programs (RLF) noting that Federal Capitalization Grant revenues amounted to \$26 million in Clean Water and \$15 million in Drinking Water. Federal Grant revenues received for reimbursements are shown as contributions from other governments in the financial statements. There were a total of 110 loans and grants funded across all programs for a cumulative amount of \$353 million. Finally, VRA maintained its AAA ratings on senior bonds and AA ratings on its subordinate bonds.

Mr. McCubbin explained that total assets exceeded total liabilities by \$1.4 billion, an increase of 3.2% from the previous year. Total asset growth was modest compared to historical amounts; the biggest driver being loan receivables related to the Clean Water program where net lending activity decreased by \$30 million as a result of declining demand from peak levels between 2007 through 2011. He elaborated on efforts being made to respond to the trend by allowing existing funds in the program to be invested longer term in accordance with the recently approved Investment Policy with the hope of generating better investment returns. Mr. McCubbin continued that cash received from locality repayments were used to pay down the related bonds resulting in a decrease in liabilities by 1.2%. Airport loans decreased, with no new lending activity. He referenced the operating statement adding that operating revenues increased, but at a lower rate than historically due to the decline in loans receivable resulting in decrease in interest income.

Mr. McCubbin further explained the change in accounting principles under GASB 65, noting that it reclassified items that were previously reported as assets and liabilities. He stated that financing costs that were previously deferred are now recognized as an expense in the period incurred; the unamortized balances of prior year deferred financing costs must be restated with an adjustment to net position. In addition, loan origination fees which were previously deferred are now recognized as revenue in the period incurred. Mr. McCubbin referenced the Schedule of Net Position in the CAFR to highlight the adjustment for the change in accounting principle.

In response to Ms. Moore, Mr. McCubbin stated that the intent of the GASB 65 is to identify the true tangible assets versus what is necessitated through accounting treatments. In response to Mr. Rust's inquiry regarding the principle forgiveness line item on the operating statement, Mr. McCubbin explained that principal forgiveness loans to localities are basically a grant because localities are not required to repay the loan. The terminology stems from the federal regulations over the Clean Water and Drinking Water programs that limit or prohibit grant activity.

Mr. McCubbin explained the decline in operating expenses as result of lower interest expense on bonds payable and a decline in principal forgiveness loans to localities. He then highlighted the required supplementary information included in the CAFR, the more detailed notes on financial activity, statistical data relating to outstanding debt, and operating data.

In response to Mr. Rust, Mr. McCubbin will provide information relating to Clean Water impact on sewer system upgrades and how much growth in the program from 2006 to 2012 is sewer upgrades.

There being no further discussion.

Motion by Mr. Rust, seconded by Ms. Moore, that the Fiscal Year 2014 Comprehensive Annual Report be recommended to the Full Board for approval.

The motion carried.

Closed Session

Mr. O'Brien called for a motion to go into closed session pertaining to the audit.

Motion by Mr. Aulbach, seconded by Ms. Moore, that the Audit Committee of the Virginia Resources Authority (VRA) convene in closed session pursuant to Section 2.2-3771A(1) of the Code of Virginia for the purpose of discussion and consideration of the performance of certain VRA employees during the 2014 Fiscal Year Audit process.

The motion carried. The closed session convened at 1:46 p.m.

Open Session

The Committee reconvened in open session at 1:50 p.m. The Executive Director read the following resolution certifying closed session:

RESOLUTION

WHEREAS, the Audit Committee of the Virginia Resources Authority (the "Authority") has on September 8, 2014 received this resolution convened a closed session pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act;

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by the Audit Committee that such closed session was conducted in accordance with Virginia law;

NOW, THEREFORE, BE IT RESOLVED that the Audit Committee of the Board of the Virginia Resources Authority does hereby certify that, to the best of each member's knowledge, (i) only the public business matters that were identified in the motion by which the closed session was convened and that were lawfully exempted by the Virginia Freedom of Information Act were discussed in the closed session to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed session were heard, discussed or considered by the Committee.

Motion by Mr. Aulbach, seconded by Ms. Moore, to approve of the above-stated resolution certifying closed session.

A roll call vote on the motion resulted as follows:

Ayes: Mr. Branscome, Mr. Burnette, Ms. Moore, Mr. Rust, Mr. O'Brien.

Nays: None.

Absent during vote: Manju Ganeriwala, James H. Spencer, III.

Absent during meeting: Manju Ganeriwala, James H. Spencer, III.

The motion carried.

Old Business

There was no old business.

New Business

Agency Risk Management and Internal Control Standards (ARMICS) Update:

Mr. Jon McCubbin, Controller, stated that one of the initiatives of the Office of the Comptroller is to have agencies look at their internal controls, do a review of those controls and create control standards by which the agency is to comply. As a matter of practice, VRA has generally used its accounting consultants Cherry Bekaert to perform the review. The consultants did a review which resulted in no findings or recommendations.

Public Comment Period


There was no comment from the public.

Adjournment

Motion by Ms. Moore, seconded by Mr. Rust, that the meeting be adjourned.

The motion carried and the meeting adjourned at 1:54 p.m.

The next meeting of the Committee is to be determined.



William G. O'Brien on behalf of
Manju Ganeriwala, Chair



Stephanie L. Hamlett, Executive Director
Secretary to the Board

VIRGINIA RESOURCES AUTHORITY
MUNICIPALITIES CONTINUING DISCLOSURE COOPERATION
INITIATIVE COMMITTEE
MINUTES OF THE REGULAR MEETING

The Municipalities Continuing Disclosure Cooperation Initiative Committee of the Virginia Resources Authority met on Monday, September 8, 2014, in the 18th Floor Meeting Room, 1111 E. Main Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

John H. Rust, Jr., Chair
Dena Frith Moore
William G. O'Brien John H. Rust, Jr.

COMMITTEE MEMBERS ABSENT:

None.

STAFF:

Stephanie L. Hamlett, Executive Director, Secretary to the Board
Jean Bass, Director of Policy & Intergovernmental Relations
Shawn Crumlish, Director of Debt Management
Peter D'Alema, Director of Program Management
Stephanie Jones, Fiscal Analyst/Compliance Officer
Rachael Logan, Administrative Manager

OTHERS:

Arthur Anderson, McGuire Woods, Bond Counsel
T. W. Bruno, McGuire Woods, Bond Counsel

Call to Order

The meeting was called to order by Mr. John H. Rust, Jr. Chair, at 3:50 p.m.

Approval of Agenda

There were no corrections to the agenda.

Motion by Ms. Moore, seconded by Mr. O'Brien, to approve the agenda as presented.

The motion carried.

Fall 2014 Committee Meeting Date

It was the consensus of the Committee that the next meeting of the Committee be determined prior to beginning discussion on the Municipalities Continuing Disclosure Cooperation Initiative (MCDC). Mr. Peter D'Alema, Director of Program Management, explained that the MCDC filing deadline for Underwriters will be September 9, 2014 relative to instances in which an official statement contained materially inaccurate statements about past continuing disclosure compliance. The deadline for Issuers is December 1, 2014. Mr. D'Alema suggested that the previously scheduled meeting of the Committee be held later in the year to give VRA the opportunity to review the results of the Underwriters' filings.

After discussion, the Committee scheduled its next meeting on Thursday, November 6, 2014, at 9:00 a.m.

Municipalities Continuing Disclosure Cooperation Initiative (MCDC)

Mr. Peter D'Alema, Director of Program Management, stated that VRA has hired DAC Bond to audit all the filings that have been placed on the MSRB's Electronic Municipal Market Access ("EMMA") website. The results of the audit are consistent with VRA's findings.

Mr. T. W. Bruno, McGuire Woods, Bond Counsel, explained the process for filing disclosures. In addition, he stated that the VRA official statements that have potentially inaccurate statements are being reviewed. He continued that VRA has made remedial filings on the EMMA website that include prior operating data in certain VRA programs identified as missing in the DAC Bond audit.

Mr. Bruno concluded that on November 6th the Committee will be given an update on VRA's recommended course of action regarding the MCDC Initiative. The Executive Director stated that the Committee has the authority to take action on filings, notify the full Board, and provide a report at the Board's December 2014 meeting.

Continuing Disclosure Policy

Mr. Peter D'Alema, Director of Program Management, stated that a procedures document has been developed for VRA's continuing disclosure requirements that will be used to draft a continuing disclosure policy which would need to be adopted by the full Board if VRA participates in the MCDC Initiative. The procedures document is very inclusive, very simple and straight forward and will be discussed further at the November 6th meeting of the Committee.

There was discussion relative to review of VRA filing submissions, and the impact on VRA's disclosure policy.

Old Business

There was no old business.

New Business

There was no new business.

Adjournment


There being no further business to come before the Committee, Mr. O'Brien moved, and Ms. Moore seconded, that the meeting be adjourned.

The motion carried, and the meeting adjourned at 4:09 p.m.

The next meeting of the MCDC Initiative Committee will be November 6, 2014.



John H. Rust, Jr., Chair
Board of Directors



Stephanie L. Hamlett, Executive Director
Secretary to the Board